

**POLLY ANN TRAILWAY
MANAGEMENT COUNCIL, INC.**

Oakland County, Michigan

Annual Financial Report

September 30, 2007

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Polly Ann Trailway Management Council	County* OAKLAND	Type* AUTHORITY	MuniCode* 63-7-593
Opinion Date-Use Calendar* Jul 22, 2008	Audit Submitted-Use Calendar* Sep 26, 2008	Fiscal Year End Month* 09	Fiscal Year* 2007

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 293,162.00
General Fund Expenditure:	? \$ 284,781.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 85,841.00
Governmental Activities Long-Term Debt (see instructions):	?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Ramie E.	Last Name* Phillips, Jr.	Ten Digit License Number* 1102001932		
CPA Street Address* 1130 Tienken Court	City* Rochester Hills	State* MI	Zip Code* 48306	Telephone* +1 (248) 656-1131
CPA Firm Name* Ramie E. Phillips, Jr., PC, CP/	Unit's Street Address* 22 East Elmwood	Unit's City* Leonard	Unit's Zip* 48367	

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

ANNUAL FINANCIAL REPORT
Year Ended September 30, 2007

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Independent Auditor's Report

Trailway Council
Polly Ann Trailway Management Council, Inc.
Oakland County, Michigan

I have audited the accompanying financial statements of net assets and activities of the Polly Ann Trailway Management Council, Inc., Oakland County, Michigan as of and for the year ended September 30, 2007, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the activities of the Polly Ann Trailway Management Council, Inc., Oakland County, Michigan, as of September 30, 2007, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 3 and the budgetary comparison information on pages 14 and 15 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

July 22, 2008

POLLY ANN TRAILWAY MANAGEMENT COUNCIL

Management's Discussion and Analysis

The Polly Ann Trailway Management Council's management discussion and analysis has been prepared to provide an overview of the Council's financial activities for fiscal year ending September 30, 2007. This discussion and analysis needs to be read and reviewed concurrently with the Trailway Council's financial statements.

This management discussion and analysis includes comparative data from fiscal year 2006 in order to remain compliant with the Government Accounting Standards Board Statement No. 34.

Polly Ann Trailway Management Council as a Whole

The following tables show the condensed Statement of Net Assets and Changes in Net Assets for the years ended September 30, 2006 and 2007:

Table 1		
Statement of Net Assets		
	2006	2007
Assets		
Current Assets	\$ 87,340	\$ 88,727
Capital Assets – Net	124,921	19,329
	<hr/>	<hr/>
Total Assets	\$212,261	\$108,056
	<hr/>	<hr/>
Liabilities		
Current Liabilities	\$ 9,880	\$ 2,886
Net Assets		
Invested in Capital Assets	124,921	19,329
Unrestricted	68,460	85,841
Temporarily Restricted	9,000	-
	<hr/>	<hr/>
Total Net Assets	\$212,261	\$108,056
	<hr/>	<hr/>

Table 2

Changes in Net Assets

	2006	2007
Revenue		
Intergovernmental Contributions	\$ 52,298	\$ 30,106
Donations	1,563	389
Grants	72,599	256,486
Other	2,678	6,181
	<hr/>	<hr/>
Total Revenue	\$129,138	\$293,162
Expenses	148,766	284,781
	<hr/>	<hr/>
Changes in Net Assets	(\$ 19,628)	\$ 8,381
	<hr/> <hr/>	<hr/> <hr/>

The Council's Capital Net Assets increased due to the adjustment to governmental fund reporting per GASB 34. Governmental funds report capital outlays as expenditures. However, in the statement of activities these items are capitalized and the cost of those assets are allocated over their estimated useful lives as depreciation. Therefore, the change to capital assets less depreciation is \$19,329. In addition, the total investment in capital assets is shown in the Net Assets category.

Contacting the Council's Financial Management

The financial report is designed to provide our members and citizens with a general overview of the Council's finances and show the Council's accountability for the money it receives. If you have any questions about this report, or require additional information, you can contact the Council's office.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Statement of Net Assets
September 30, 2007

ASSETS

Current Assets:

Cash	\$	68,037
Accounts Receivable		6,929
Grants Receivable		13,761
Total Current Assets		<u>88,727</u>

Capital Assets:

Land		3,314
Portable Restroom		27,296
Computer Equipment		2,032
Less Accumulated Depreciation		<u>(13,313)</u>
Total Capital Assets, net of depreciation		<u>19,329</u>

Total Assets	\$	<u>108,056</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	\$	2,886
Total Current Liabilities		<u>2,886</u>

NET ASSETS

Invested in Capital Assets		19,329
Unrestricted		85,841
Total Net Assets		<u>105,170</u>
Total Liabilities and Net Assets	\$	<u>108,056</u>

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Statement of Activities
For the Year Ended September 30, 2007

Activities	Expenses	Program Revenues		Net (Expense) Revenue & Changes in Net Assets
		Member Contributions	Grants and Other	
Operating and Maintaining Trailways	\$ 286,903	\$ 28,451	\$ 261,825	\$ 3,373
Total Activities	<u>\$ 286,903</u>	<u>\$ 28,451</u>	<u>\$ 261,825</u>	<u>3,373</u>
General Revenues:				
Interest Income				<u>2,886</u>
Total General Revenues				<u>2,886</u>
Changes in Net Assets				<u>6,259</u>
Net Assets - October 1, 2006				202,381
Oxford Bridge Improvement costs capitalized in the State of Michigan Records				<u>(103,470)</u>
				<u>98,911</u>
Net Assets - September 30, 2007				<u>\$ 105,170</u>

The accompanying notes are an integral part
of the financial statements.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Balance Sheet
September 30, 2007

ASSETS

Cash	\$	68,037
Accounts Receivable		6,929
Grants Receivable		13,761
Total Assets	\$	<u>88,727</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts Payable	\$	2,886
Total Liabilities		<u>2,886</u>
Fund Balance:		
Undesignated		85,841
Total Fund Balance		<u>85,841</u>
Total Liabilities and Fund Balance	\$	<u>88,727</u>

The accompanying notes are an integral part
of the financial statements.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Reconciliation of the Council Funds Balance Sheet to the Statement of Net Assets
For the Year September 30, 2007

Fund balances		\$	85,841
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Amounts reported for governmental activities in the
statement of net assets differ due to:

Capital assets used in governmental activities
are not financial resources and therefore are not
reported as assets in Council funds.

Historical cost	\$	32,642	
Accumulated depreciation		<u>(13,313)</u>	<u>19,329</u>

Total net assets - governmental activities		\$	<u><u>105,170</u></u>
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POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended September 30, 2007

REVENUES:

Intergovernmental Contributions	\$ 28,451
In Kind Rent Revenue - Leonard	1,655
Membership Dues	595
Brochure Sponsorship	700
Donations	389
Investment Earnings	2,886
Pearl Event Income	2,000
Grants Received	<u>256,486</u>
Total Revenues	<u>293,162</u>

EXPENDITURES:

Contracted Services	21,363
Accounting Fees	3,214
Legal Fees	173
Audit Costs	4,200
Insurance	3,880
Equipment Maintenance	1,635
Trail Maintenance	300
Operating Supplies	1,579
Donated Use of Facilities	1,655
Property Taxes	113
Mileage	141
Promotion	156
Office Supplies and Expense	452
Postage	92
Interest	706
Telephone	540
Utilities	253
Rural Pearl Expense	1,968
Chrysler Dedication Grant Expense	10,021
Trail Enhancement Expenses	6,927
Trailway Development Costs	5,712
DNR Grant Expenses - Capital Projects	<u>219,701</u>
Total Expenditures	<u>284,781</u>
Excess of Revenues Over Expenditures	8,381
Fund Balance - Beginning	<u>77,460</u>
Fund Balance - Ending	<u>\$ 85,841</u>

The accompanying notes are an integral part
of the financial statements.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Year September 30, 2007

Net change in fund balances - governmental funds	\$	8,381
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Amounts reported for governmental activities in the
statement of activities differ due to:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities these items are
capitalized and the costs of those assets are allocated
over their estimated useful lives as depreciation.

Capitalized assets	\$	1,014	
Depreciation		<u>(3,136)</u>	<u>(2,122)</u>

Change in net assets - governmental activities	\$	<u>6,259</u>
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POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Notes to Financial Statements
September 30, 2007

Note A: Summary of Significant Accounting Policies

The accounting policies of the Polly Ann Trailway Management Council, Inc. conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these financial statements.

The Council adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management Discussion and Analysis. The Council has elected to report all of its funds as major funds in the financial statements.

Reporting Entity

The Polly Ann Trailway Management Council, Inc. was created for the purpose of owning, exercising right of dominion over, developing, providing, maintaining, and operating certain non-motorized public trails for recreational use within the jurisdiction of member units, Orion Township, Oxford Township, Village of Leonard, Village of Oxford, and the non-member Addison Township.

Basis of Accounting

The financial statements are presented on a full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

Cash and Cash Equivalents

The Council has defined cash and cash equivalents to include cash on hand, demand notes, and certificates of deposit with original maturities of three months or less from the date of acquisition.

Receivables

All receivables are considered fully collectible. No provision for non-collection has been made in the financial statements.

Capital Assets

Capital assets, which include land, trailway improvements, and equipment, are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Improvements and equipment is depreciated using the straight line method over the following estimated lives:

Improvements	20 years
Equipment	5 – 7 years

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note B: Stewardship, Compliance, and Accountability

Budgetary Data

Annual budgets are adopted for the funds as required by the Michigan Public Act 621 of 1978, the Uniform Budgeting and Accounting Act. The Council's approved budget was adopted on the line item level.

The trailway manager prepares a preliminary budget for the Council's review and comment. After receiving input from those concerned, the manager rewrites the budget. The rewritten budget is presented to the Council for final review and approval. This process occurs prior to year end.

Excess of Expenditures Over Appropriations

Michigan Public Act 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in the budget resolution of the governing body. For the year ended September 30, 2007, the following line items exceeded the amount budgeted:

	<u>Total Expenditures</u>	<u>Amount Budgeted</u>	<u>Amount Over Budget</u>
Contracted Services	\$ 21,363	\$ 20,000	\$ 1,363
Accounting Fees	3,214	2,859	355
Printing	58	15	43
Insurance	3,880	2,739	1,141
Equipment Maintenance	1,635	1,300	835
Events	266	100	166
Advertising and Web	120	0	120

Note C: Deposits and Investments

Michigan compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Council is allowed to invest in bonds, securities and other direct obligations of the United States; United States government or federal agency obligation; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Council has designated one bank for the deposit of the Council's funds. This is in compliance with the adopted investment policy adopted in accordance with Public Act 196 of 1977.

GASB Statement 3, Investments are categorized to give an indication of the level of custodial credit risk assumed. Category 1 includes investments that are insured or registered, or securities held by the Council or its agent in the Council's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Council's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Council's name.

The Council's investments consist of an interest bearing checking account, which is not categorized because it is not evidenced by securities that exist in physical or book entry form.

Note D: Capital Assets

Capital asset activity for the year ended September 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	<u>\$ 2,300</u>	<u>\$ 1,014</u>	<u>\$ -</u>	<u>\$ 3,314</u>
Trailway Improvements:				
Portable Restroom	27,296	-	-	27,296
Construction in Progress	103,470	-	103,470	-
Office Equipment	<u>2,032</u>	<u>-</u>	<u>-</u>	<u>2,032</u>
Total Capital Assets Being Depreciated	<u>132,798</u>	<u>-</u>	<u>103,470</u>	<u>29,328</u>
Less Accumulated Depreciation for:				
Trailway Improvements:	8,416	2,730	-	11,146
Office Equipment	<u>1,761</u>	<u>406</u>	<u>-</u>	<u>2,167</u>
Total Accumulated Depreciation	<u>10,177</u>	<u>3,136</u>	<u>-</u>	<u>13,313</u>
Capital Assets Being Depreciated - Net	<u>122,621</u>	<u>(3,136)</u>	<u>103,470</u>	<u>16,015</u>
Capital Assets - Net	<u>\$ 124,921</u>	<u>\$ (2,122)</u>	<u>\$ 103,470</u>	<u>\$ 19,329</u>

Depreciation was charged to operations in the amount of: \$ 3,136

The accumulated costs of the Oxford Bridge Improvements of \$103,470 will be included in financial reports of the State of Michigan agency.

Note E: Risk Management

The Council is exposed to various risks of loss related to general liability, theft of assets, destruction of assets, and natural disasters. The Council carries commercial insurance to protect against these potential losses. The Council does not maintain a fidelity bond.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Budgetary Comparison Schedule
For the Year Ended September 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES:				
Operating Revenue:				
Contributions - Orion Township	\$ 13,858	\$ 13,858	\$ 13,858	\$ -
Contributions - Oxford Township	9,479	9,479	9,479	-
Contributions - Village of Oxford	2,114	2,114	2,114	-
Contributions - Addison Township	7,893	3,000	3,000	-
In Kind Rent Revenue - Leonard	1,655	1,655	1,655	-
Membership Dues	2,000	345	595	250
Sale of Promotional Items	-	-	-	-
Brochure Sponsorship	-	700	700	-
Chrysler Dedication Grant	-	11,830	11,830	-
Rural Pearl Event Income	1,000	2,000	2,000	-
Contributed Services	-	-	-	-
Donations	-	50	389	339
Interest Earnings - Operating	400	2,700	2,816	116
Interest Earnings - Restricted	-	70	70	-
RCOCT Deposit Refund	-	24,257	24,257	-
Grant Received - DNR Engineering	90,000	90,000	89,786	(214)
Grant Received - DNR Engineering	130,000	130,000	129,915	(85)
Grant Received - RTP Utility	21,005	698	698	-
Total Revenues	\$ 279,404	\$ 292,756	\$ 293,162	\$ 406
EXPENSES:				
Operating Expenses:				
Contracted Services	\$ 20,000	\$ 20,000	\$ 21,363	\$ (1,363)
Accounting Fees	2,859	2,859	3,214	(355)
Legal Fees	-	175	173	2
Audit and Tax Services	4,200	4,200	4,200	-
Office Supplies	700	120	117	3
Meeting Expense	500	500	277	223
Telephone	450	600	540	60
Utilities	700	300	253	47
Web Page Expense	200	50	36	14
Interest Expense	-	710	706	4
Postage	200	100	92	8
Fundraising Postage	400	-	-	-
Property Taxes	150	120	113	7
Donated Use of Facilities	4,250	4,250	1,655	2,595
Printing	100	15	58	(43)
Brochure Printing	1,000	1,350	1,313	37
Insurance	2,700	2,739	3,880	(1,141)

The accompanying notes are an integral part
of the financial statements.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Budgetary Comparison Schedule
For the Year Ended September 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable/ (Unfavorable)
Equipment Maintenance	1,300	800	1,635	(835)
Trail Grading Expense	-	300	300	-
Mileage	200	150	141	9
Miscellaneous Trail Expenses	250	-	-	-
Chrysler Dedication Grant Expense	-	11,830	10,021	1,809
Events	1,000	100	266	(166)
Rural Pearl Expenses	-	2,000	1,968	32
Promotional Expenses	300	-	-	-
Advertising and Web	150	-	120	(120)
Contingency	-	7,788	1,014	6,774
Total Operating Expenses	<u>41,609</u>	<u>61,056</u>	<u>53,455</u>	<u>7,601</u>
Development Expenses:				
Engineering	65,000	4,700	4,698	2
DNR Engineering Grant	-	130,000	129,915	85
DNR Engineering Grant	-	90,000	89,786	214
Trail Enhancement Expenses	-	7,000	6,927	73
Total Development Expenses	<u>65,000</u>	<u>231,700</u>	<u>231,326</u>	<u>374</u>
Total Expenses	<u>\$ 106,609</u>	<u>\$ 292,756</u>	<u>\$ 284,781</u>	<u>\$ 7,975</u>
Surplus/(Deficit)	<u>\$ 172,795</u>	<u>\$ -</u>	<u>\$ 8,381</u>	<u>\$ 8,381</u>